

CIRCULAR LETTER

To

ALL COMMERCIAL BANKS
THAT CONDUCT BUSINESS ACTIVITIES IN CONVENTIONAL MANNER
IN INDONESIA

Subject: Amendment to Bank Indonesia Circular Letter Number 7/19/DPNP dated 14 June 2005 concerning Implementation of Risk Management at Banks That Conduct Activities Related to Mutual Funds.

In relation to the issuance of Bank Indonesia Regulation Number 5/8/PBI/2003 concerning Implementation of Risk Management for Commercial Banks (State Gazette of the Republic of Indonesia Number 56 of 2003, Supplement to the State Gazette of the Republic of Indonesia Number 4292) as amended by Bank Indonesia Regulation Number 11/25/PBI/2009 (State Gazette of the Republic of Indonesia Number 103 of 2009, Supplement to the State Gazette of the Republic of Indonesia Number 5029), it is deemed necessary make several amendments to Bank Indonesia Circular Letter Number 7/19/DPNP dated 14 June 2005 concerning Implementation of Risk Management at Banks That Conduct Activities Related to Mutual Funds as follows:

1. Number IV is amended so that it entirely reads as follows:

IV. PLAN AND REPORTING

- A. Any Bank that for the first time is going to conduct activities as a Selling Agent for Mutual Fund or Custodian Bank

1. Bank is obliged to state plan for the conduct of new activities as a Selling Agent of Mutual Fund or Custodian Bank in Bank Business Plan for the same year as the plan to conduct those activities. The obligation to prepare Bank Business Plan shall refer to prevailing Bank Indonesia regulations concerning Commercial Bank business plan. Format for stating the plan to conduct new activities as a Selling Agent of Mutual Fund or Custodian Bank in Bank Business Plan shall refer to Attachment 1 of this Bank Indonesia Circular Letter.

2. Any Bank that has already met the provision as referred to in number 1 is obliged to submit a report on execution of the new activities to Bank Indonesia comprising:
 - a. Report on plan to conduct new activities as a Selling Agent of Mutual Fund or Custodian Bank; and
 - b. Report on realization of the conduct of new activities as a Selling Agent of Mutual Fund or Custodian Bank.
3. Submission of report on plan to conduct new activities as a Selling Agent of Mutual Fund or Custodian Bank, as referred to in number 2 letter a shall be performed as follows:
 - a. For activities as a Selling Agent of Mutual Fund, there are 2 (two) reports, namely:
 - 1) Report on Plan To Become Selling Agent of Mutual Fund Securities
 - a) The report should be submitted no later than 60 (sixty) days prior to the execution of activities as Selling Agent of Mutual Fund.
 - b) The report as referred to in letter a) shall contain at least matters related to activities as Selling Agent of Mutual Fund as follows:
 - (1) general information, which contains among others objective, description of customer potentials, analysis of Strengths, Weaknesses, Opportunities, and Threats (SWOT);
 - (2) cost and benefit analysis;
 - (3) standard operating procedure/SOP, organization and authority for execution by observing stipulations concerning the implementation of Risk Management at point II.B.2;
 - (4) human resource readiness, which at least shall refer to the requirements at point II.B.2.a;
 - (5) Bank's readiness related to information system;
 - (6) plan for policies and procedures related to the implementation of Anti-Money Laundering and

Prevention of Terrorism Funding by making reference to the stipulation in point II.B.2.j;

- (7) results of analysis on legal aspect and compliance aspects;
- (8) Bank's assessment on the readiness as Selling Agent of Mutual Fund; and
- (9) Registration Letter as Selling Agent of Mutual Fund that is issued by the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK);

In the event the Registration Letter is not yet issued, Bank can submit to Bank Indonesia a photocopy of the proof on application for registration as Selling Agent of Mutual Fund at BAPEPAM-LK.

Later on, when BAPEPAM-LK has issued the Registration Letter as Selling Agent of Mutual Fund, Bank is obliged to submit it to Bank Indonesia to satisfy completion of documents.

- c) Report on Plan To Become Selling Agent of Mutual Fund Securities shall refer to Attachment 2 of this Bank Indonesia Circular Letter.
 - d) Bank Indonesia shall provide confirmation letter for the plan to become Selling Agent of Mutual Fund after all requirements have been met and complete reporting documents have been received by Bank Indonesia.
- 2) Report on Sales Plan Of Mutual Fund
- a) The report should be submitted no later than 45 (forty five) days prior to execution of the sales of Mutual Fund.
 - b) The report as referred to in letter a) should at least contain matters related to the sales plan of Mutual Fund as follows:

- (1) general information related to Mutual Fund, which at least covers: type, form of Mutual Fund, and composition of underlying assets, as well as prospectus;
- (2) assessment on investment manager shall refer to point II.A.1.a and point II.B.2.e.2);
- (3) documents in the framework of transparency to customers, which cover among others: brochures, leaflets, and/or application forms, shall refer to point II.B.2.f.2), point II.B.2.g, and point II.B.2.h;
- (4) Risk Management, which covers identification, measurement, monitoring, and control over Risk inherent in the activities as Selling Agent of Mutual Fund;
- (5) documents related to the activities as Selling Agent of Mutual Fund such as final agreements draft between Bank and parties related to the sales of Mutual Fund, which shall refer to point II.B.2.d;
- (6) Letter of Effective Statement on Mutual Fund Registration issued by BAPEPAM-LK.

In the event the Letter of Effective Statement on Mutual Fund Registration has not been issued, Bank can submit to Bank Indonesia a photocopy of proof on application for Statement of Mutual Fund Registration from the BAPEPAM-LK. Further on, when BAPEPAM-LK has issued the Letter of Effective Statement on Mutual Fund Registration, Bank is obliged to submit it to Bank Indonesia to satisfy completion of documents.

- c) Format of the Report on Sales Plan of Mutual Fund shall refer to Attachment 3 of this Bank Indonesia Circular Letter.

- d) Bank Indonesia shall provide confirmation letter on the sales plan of Mutual Fund after all requirements have been met and complete reporting documents have been received by Bank Indonesia.

Bank Indonesia's confirmation letter shall be a confirmation that from the Risk Management aspect, the Bank is assessed to be able to implement adequate Risk Management on the Mutual Fund sales activities.

- e) After receiving the confirmation letter from Bank Indonesia on the plan to become Selling Agent of Mutual Fund as referred to in point IV.A.3.a.1).d) and receiving the confirmation letter from Bank Indonesia on the sales plan of Mutual Fund as referred to in point IV.A.3.a.2).d), Bank can conduct activities as Selling Agent of Mutual Fund.

- b. For activities as Custodian Bank, submission of the report on the plan to conduct new activities as Custodian Bank shall be performed as follows:

- 1) The report should be submitted no later than 60 (sixty) days prior to execution of the activities.
- 2) The report as referred to in number 1) shall contain at least information and explanations in the framework of reporting of new product or activity in accordance with Bank Indonesia Circular Letter that regulates the reporting of new product or activity.

B. Bank that has executed activities and registered or obtained a license as Selling Agent of Mutual Fund or Custodian Bank

1. For activities as Selling Agent of Mutual Fund

- a. Bank is obliged to meet stipulations related to the Report on Sales Plan of Mutual Fund when issuance of Mutual Fund requires Statement of Mutual Fund Registration from the BAPEPAM-LK.

- b. Submission of the report as referred to in letter a, which is the Report on Sales Plan of Mutual Fund shall be performed as follows:
 - 1) The report should be submitted no later than 45 (forty five) days prior to the execution of the sales of Mutual Fund .
 - 2) The report as referred to in number 1) shall contain at least matters related to the sales plan of Mutual Fund as referred to in point IV.A.3.a.2).b).
 - 3) Format of the Report on Sales Plan of Mutual Fund shall refer to Attachment 3 of this Bank Indonesia Circular Letter.
 - c. Requirements for the execution of activities as Selling Agent of Mutual Fund shall refer to the stipulation as referred to in point IV.A.3.a.2).d) and point IV.A.3.a.2).e)
 2. For activities as Custodian Bank

A change or development in Bank's activities as custodian is not included in the criteria of new activities. As such, development of activity as Custodian Bank by Bank that has already executed such activity shall not be imposed with the obligation for reporting the plan on execution of new activity.
- C. Report on Realization of Execution of Bank's Activities as Selling Agent of Mutual Fund or Custodian Bank
 1. The report should be submitted no later than 7 (seven) working days after execution of the new activities have been realized.
 2. Realization date means the date when the activity starts to be offered by Bank and is purchased or is giving benefit to customers.
 3. The report on realization of execution of new activity shall contain at least the following information and explanations:
 - a) type and date of realization of new activity by Bank; and
 - b) consistency of realization of new activity with the report on plan to execute new activity that has been submitted.
- D. Periodic Report related to the Execution of Activities as Selling Agent of Mutual Fund or Custodian Bank

1. Bank that has executed activities as Selling Agent of Mutual Fund and/or Custodian Bank should prepare monthly periodic report related to the execution of activities as Selling Agent of Mutual Fund.
2. The periodic report related to the execution of activities as Selling Agent of Mutual Fund as referred to in number 1 shall be submitted to Bank Indonesia periodically each quarter covering the position at end of each month for the period of 3 (three) months consecutively by using the format at Attachment 4 no later than the 15th (fifteenth) after the end of the 3rd (third) month of the related quarter. For the first time, this report shall be submitted for the position as of end of March 2010. In the event the 15th (fifteenth) is a holiday, the report shall be submitted no later than on the next 1 (one) working day following the said holiday.
3. The periodic report related to the execution of activities as Custodian Bank shall refer to prevailing regulation concerning Commercial Bank Head Office Report.

E. Address for Submission of Report

1. Report on plan to conduct new activities as referred to in point IV.A and point IV.B and report on realization of the conduct of new activities as referred to in point IV.C shall be submitted to Bank Indonesia at the address:
 - a. Related Directorate of Bank Supervision, Jl. M.H. Thamrin No. 2, Jakarta 10350, for any Bank which head office is within the work area of Bank Indonesia Head Office; or
 - b. Local Bank Indonesia Office, for any Bank which head office is outside the work area of Bank Indonesia Head Office.
2. Periodic Report related to Execution of Activities as Selling Agent of Mutual Fund
 - a. Periodic report related to the execution of activities as Selling Agent of Mutual Fund as referred to in point IV.D is submitted on-line through the Commercial Bank Head Office Report.
 - b. For as long as the Report format as referred to in letter a cannot be submitted on-line through the Commercial Bank Head Office

Report, the said report should be submitted off-line by Bank to Bank Indonesia at the following address:

- 1) Related Directorate of Bank Supervision, Jl. M.H. Thamrin No. 2, Jakarta 10350, for any Bank which head office is within the work area of Bank Indonesia Head Office; or
- 2) Local Bank Indonesia Office, for any Bank which head office is outside the work area of Bank Indonesia Head Office.

with a copy to Directorate for Banking Research and Regulation c.q. Bureau for Financial System Stability, Jl. M.H. Thamrin No. 2, Jakarta 10350.

2. Number VI is amended so that it entirely reads as follows:

VI. SANCTIONS

1. Violation against the implementation of Risk Management as referred to in number II can be imposed with administrative sanctions among others in the form of:
 - a. written warning;
 - b. lowering of Bank's soundness rating;
 - c. freezing of certain business activities;
 - d. the stating of members of Bank management, personnel, and/or shareholders in the list of parties that have received the predicate of having failed the fit and proper test or in Bank Indonesia's administrative records as stipulated in Bank Indonesia's prevailing regulation; and/or
 - e. termination of Bank management,as referred to in Article 34 of Bank Indonesia Regulation Number 5/8/PBI/2003 dated 19 May 2003 concerning Implementation of Risk Management for Commercial Banks as amended by Bank Indonesia Regulation Number 11/25/PBI/2009 dated 1 July 2009.
2. Violation of the obligation on reporting as referred to in point IV.A.3, point IV.B.1.b, point IV.C.1 and point IV.E.2.b shall be imposed with sanctions as stipulated in Article 33 of Bank Indonesia Regulation Number 5/8/PBI/2003 dated 19 May 2003 concerning Implementation of Risk Management for

Commercial Banks as amended by Bank Indonesia Regulation Number 11/25/PBI/2009 dated 1 July 2009.

3. A new number is inserted between number VI and number VII, namely number VI A, which reads as follows:

VIA. TRANSITIONAL PROVISIONS

1. Any Bank, which has conducted activities as Selling Agent of Mutual Fund Securities or Custodian Bank after 1 July 2009 and prior to the effectiveness of this Bank Indonesia Circular Letter but has not submitted reports in accordance with this stipulation, is obliged to submit reports in accordance with this Bank Indonesia Circular Letter no later than 60 days after the effectiveness of this Bank Indonesia Circular Letter.

For activities as Selling Agent of Mutual Fund, report submission shall be supplemented with documents and/or information as referred to in point IV.A.3.a.1)b), point IV.A.3.a.2)b) and/or point IV.C.3.a.

For activities as Custodian Bank, report submission shall be supplemented with information and explanations in the framework of new product or activity reporting as stipulated in Bank Indonesia Circular Letter that regulates new product or activity reporting.

2. In the event Bank has already submitted Report on Plan To Become Selling Agent of Mutual Fund or report on plan to conduct a new activity as a Custodian Bank and/or Report on Sales Plan Of Mutual Fund prior to the effectiveness of this Bank Indonesia Circular Letter but has not received a confirmation letter from Bank Indonesia, Bank is obliged to adjust those reports to this Bank Indonesia Circular Letter.

Provisions in this Bank Indonesia Circular Letter become effective as of 31 December 2009.

For the public to be informed, it is ordered that this Circular Letter be promulgated in the State Gazette of the Republic of Indonesia.

Kindly be informed.

BANK INDONESIA

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DIRECTOR OF BANKING RESEARCH
AND REGULATION